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Testimony Before the Energy & Technology Committee

March 7, 2008

Prepared by Shirley Bergert

H. B. No. 5786 AN ACT CONCERNING LOW-INCOME HEATING ASSISTANCE. SUPPORT with modifications

This bill would amend CGS §16a-41a for two laudable purposes:

- Requiring the CT Energy Assistance Program contractors to begin taking applications no later than September 1. This would avoid application crunches each year for this seasonal program, facilitating participation in utility arrearage forgiveness programs and ensuring deliverable fuel deliveries can be made in a timely manner to avoid risk of harm to households using this as their heat source when program begins paying benefits on November 1.
- It appropriates \$5.7M for weatherization of CEAP recipients for the fiscal year ending June 30, 2009. We recommend that this badly needed weatherization funding be coordinated with other existing conservation programs including the Department of Social Services home-owned property repair assistance for its cash assistance recipients, gas and electric programs overseen by the Energy Conservation Management Board (CGS §16-245m) and Fuel Oil Conservation Board (PA 07-242 § 116, as amended by June Sp. Sess. PA 07-1 § 131) programs in the process of being developed.

H. B. No. 5813 AN ACT CONCERNING UTILITY ESCHEATS. SUPPORT

Subsection (c) creates a pilot program for the fiscal year ending June 30, 2009, in which 50% of all customer utility funds which escheat to the state, up to \$200,000, are provided to Operation Fuel, to assist needy utility customers. This effectively targets these funds and should be a permanent source of the funding as the need is ongoing giving the high cost of utility service. It is similar to the equitable principle of cy-pres where funds are directed as near as possible to the general class of persons from which they were drawn when they cannot be returned to the individuals to whom the funds are due. Operation Fuel is an organization that uses a network of volunteer fuel banks in the community to effectively direct funds to identified need.





S. B. No. 589 AN ACT ESTABLISHING A RESIDENTIAL ELECTRIC AND GAS CUSTOMER DISCOUNT RATE. SUPPORT

Currently we have a disjointed system for dealing with dramatically increased utility expenses for low income households. Many households have built untenable debt that creates a risk of loss of necessary services and the potential harm involved with that, and the utilities face the difficult prospect of having to try to collect such untenable debt. The proposed discount rate would apply to households below 200% federal poverty level (\$2933/mo. for a family of 3). It should be designed to work effectively with the arrearage forgiveness programs (CGS §16-262c), the energy assistance program (CGS §16a-41a), conservation assistance available through the gas and electric programs (CGS §16-245m) and programs that will become available through the Fuel Oil Conservation Board (PA 07-242 § 116, as amended by June Sp. Sess. PA 07-1 § 131), to ensure necessary service is affordable to vulnerable households.

H. B. No. 5783 AN ACT CONCERNING ELECTRICITY MARKET INCENTIVE REBATES. SUPPORT

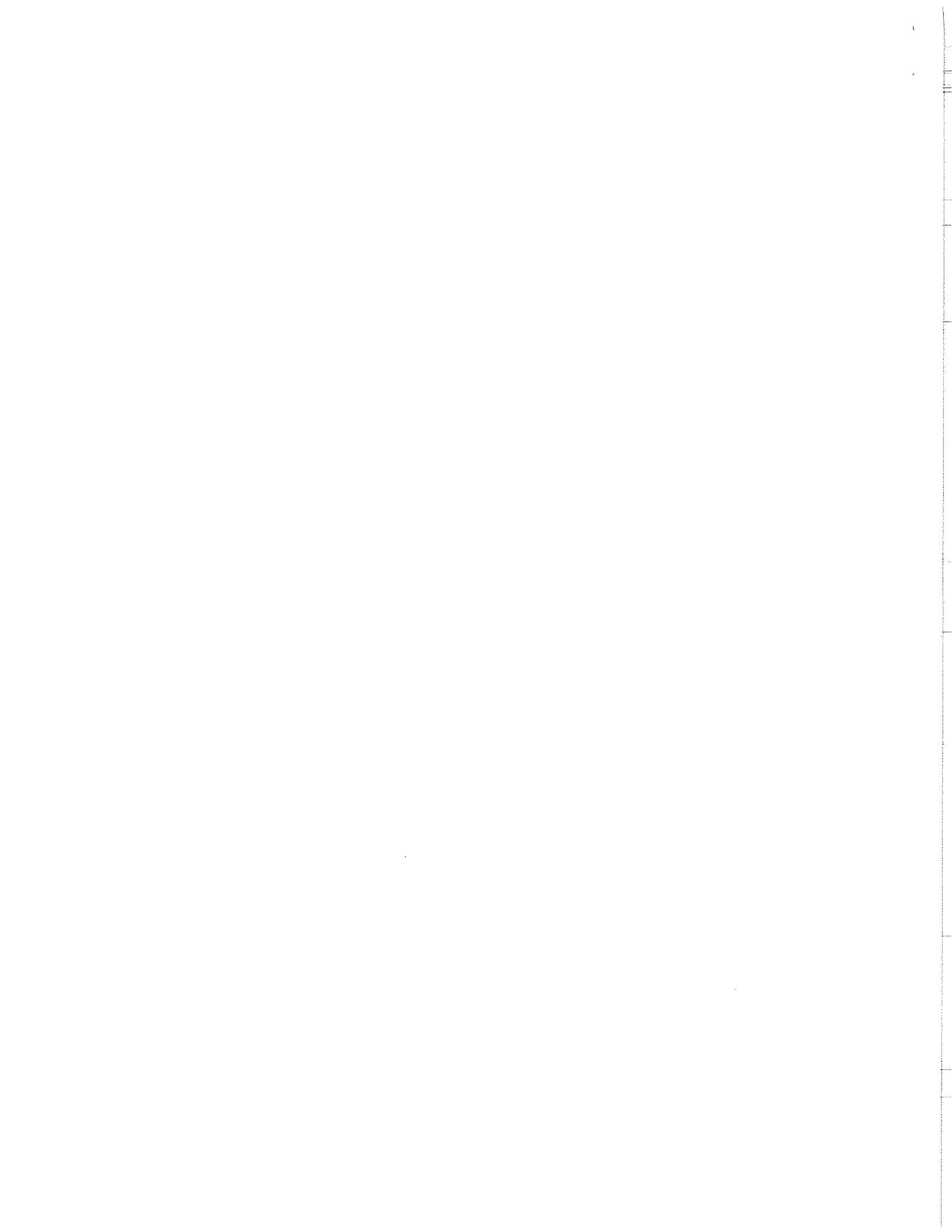
Excessive profits on the part of generators are crippling the CT economy, have driven CT's electric rates to the highest in the continental US and jeopardize the well-being and safety of low income consumers who cannot afford to pay these profits to maintain necessary utility service. Generators were allowed to charge excessively for electricity to provide an incentive to build generation plants. The theory was that increased generation capacity would result in competition that would ultimately hold rates down. New generation facilities have not been built and generators are pocketing the money. This is not in the interest of Connecticut residents.

This proposal takes a reasonable approach to return CT to a position where the cost of generation is determined by the cost of providing service plus a reasonable rate of return. The bill does not require generators to participate in DPUC determinations regarding cost of service and reasonable rates of return, but the DPUC is authorized to make determinations using estimates if the generators decline to cooperate. Distribution companies would be required to offer contracts of 5 to 15 years for purchase of generation based on DPUC determinations, adjusted prospectively for prudently incurred costs, and subject to the generator seeking DPUC review if the price is so low enough that it jeopardizes operation of the generation facility. The bill provides for recovery for administration of the contracts. Generation plants that decline to participate in the contracting will be subject to payment of a market incentive recovery for the benefit of ratepayers, in the amount of their recovery above the cost of service plus a reasonable return, determined by the DPUC. Again, if a generator declines to participate in the DPUC proceedings to determine the market incentive recovery, the DPUC will make determinations using estimates. This approach has no losers: the generators make a fair profit, distribution companies gain access to fairly priced power and can recover their administrative costs, and consumers are charged more reasonable rates.

H. B. No. 5819 AN ACT CONCERNING ENERGY RELIEF AND ASSISTANCE. SUPPORT

This bill create a Connecticut Energy Authority to procure least-cost demand and supply side resources, construct and operate generation facilities, procure long-term electricity contracts, and sell electricity at cost to distribution and municipal electric customers. Such an authority would interject a measure of discipline in the current generation market, which has resulted in Connecticut having the highest electric rates in the continental US. This body would be charged with serving the public interest rather than being driven by profit.

The bill also sets up a procedure at the DPUC to establish standards and principles governing distribution companies entering into bilateral contracts for standard service and management of contract portfolios. It



provides for investment in demand response, efficiency and load management. And it provides for development of needed generation on a cost of service basis.

These provisions allow for the best mix of public and private investment to begin to regain control of and reduce electricity costs to protect CT consumers and businesses.

H. B. No. 5815 AN ACT CONCERNING THE MISSION OF THE DEPARTMENT OF PUBLIC UTILITY CONTROL. SUPPORT

Section 1 defines a clear mission for the DPUC: to ensure regulation is consistent with the public interest and provision of safe, efficient, high-quality utility services, with responsive customer service, at the lowest reasonable cost to ratepayers. Given the dramatic rise in utility costs to consumers, such a mission is critical for guiding regulation by this agency.

Section 2 requires the DPUC to notify the legislature when the impact of its decision in any matter involving more than \$200,000 will negatively impact consumers. The notice must be provided at least 60 days before final action, a period that can be shortened if there is a reliability emergency. In recent years many legislative provisions have directed proceedings conducted by the DPUC. This reporting will provide an opportunity for the legislature to timely learn of negative impacts which it may not have intended or which it may choose to address in future legislation.

Section 3 inserts the concept of “just and reasonable” as guiding principles in DPUC regulation of rates, requires reporting by the DPUC to the Governor and legislature of utilities with high rates and review of those rates to protect consumers to the extent possible. Given the dramatic increases in utility costs in recent years, these principles are important to consumers and the reviews of rates are important to ensure they meet these principles.

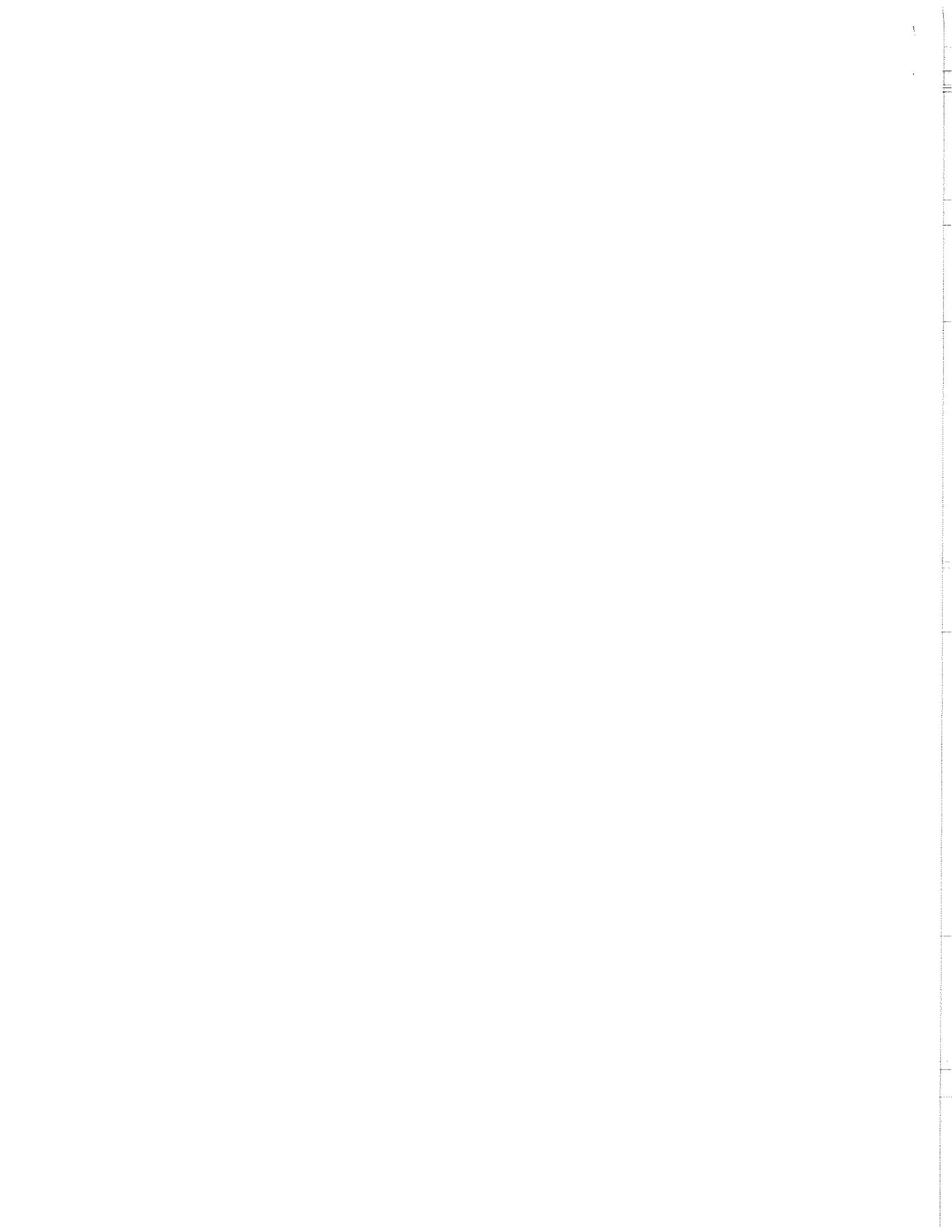
Section 4 requires the DPUC to conduct a review where complaints to the agency indicate potential systemic problems affecting utility customers. Customer service problems are the DPUC’s opportunity to understand the impact of its policy and regulation on individual consumers. Given that utility service is an expensive necessity, addressing systemic problems is important for ensuring access to this necessity.

S. B. No. 591 AN ACT CONCERNING LOW-INTEREST LOANS TO STATE RESIDENTS FOR ENERGY EFFICIENT HOME IMPROVEMENTS. SUPPORT

This proposal will increase the funds available for low interest energy efficiency loans through the CT Housing Finance Authority. Expanded and readily available financing is critical to expansion of conservation efforts in the state. The residential committee of the Energy Conservation Management Board is exploring ways to expand energy efficiency financing and to coordinate such funding with supports to property owners so that they know what steps they can take to effect the greatest level of conservation. This is consistent with that effort.

S. B. No. 571 AN ACT CONCERNING ENERGY AUDITS. Good concept, but NOT NECESSARY

This proposal amends CGS §16-245m (new subsection (h)) to require the Energy Conservation Management Board to form a committee in cooperation with the DPUC, to conduct an overview of available tax and financial incentives available to individuals and businesses for energy conservation, including grants and loan programs, offered by the state and the federal government, and compile and publish their findings. The ECMB committees for residential and business customers are working on this, as well as approaches to expand conservation financing. The ECMB is exploring more holistic approaches to customers, to develop approaches to help them make effective conservation improvement decisions. There is no harm in passage of this bill, but it isn’t necessary.



S. B. No. 587 AN ACT CONCERNING ELECTRIC AND GAS CONSERVATION INCENTIVES.
REJECT

This proposal decouples distribution from sales of service. The theory behind decoupling is to remove an incentive for the utility to promote commodity sales. However, it also provides returns for the utility when commodity sales are reduced for reasons other than conservation (e.g., fuel switching, economic changes, etc.). In addition to this problem, at least in the proposal regarding electric distribution companies, it will result in a fairly immediate increase in the cost of electricity, something many consumers, particularly low income consumers, cannot afford.

H. B. No. 5818 AN ACT CONCERNING THE SUMMER SAVER REWARDS PROGRAM.
REJECT Section 2

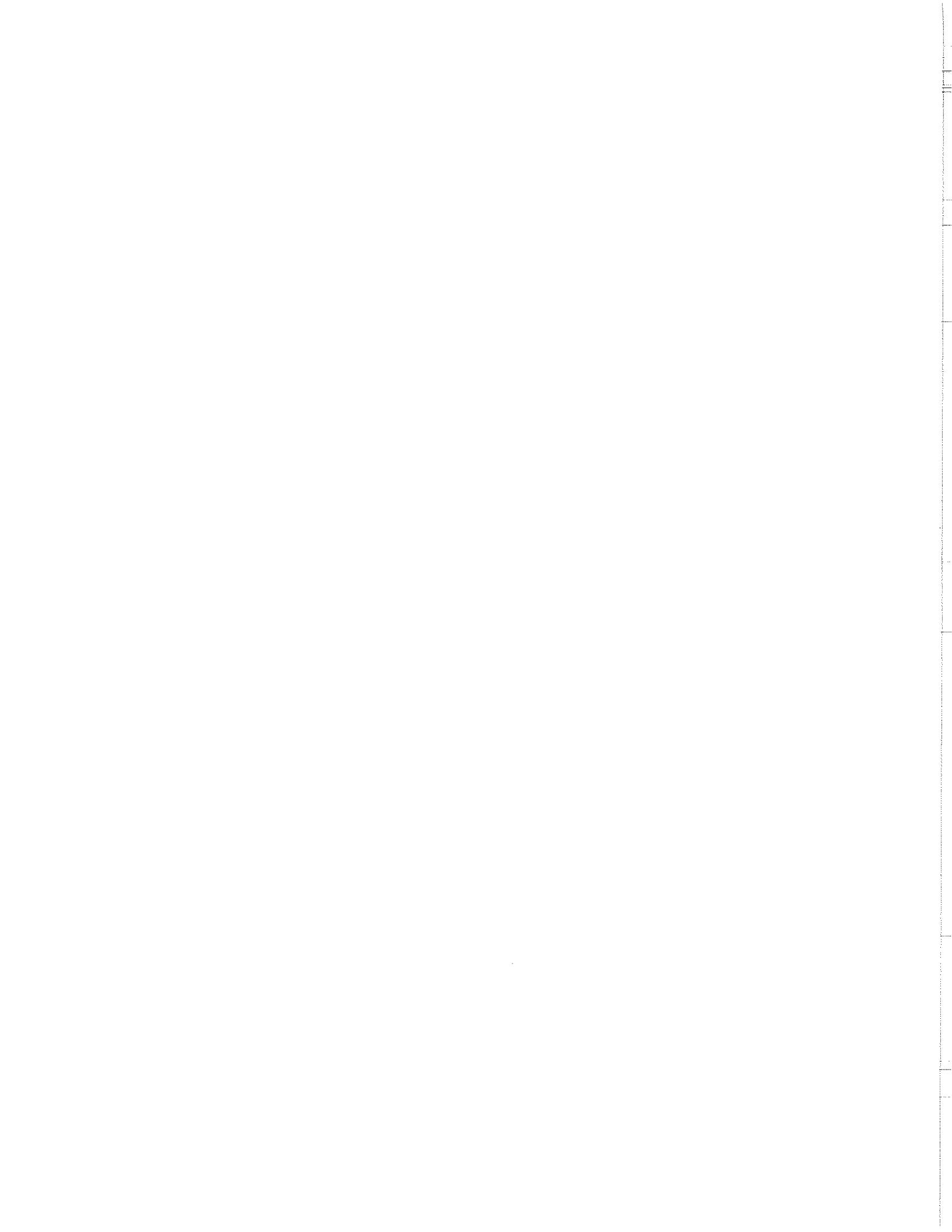
Section 1 provides for rate rebate incentives for conservation. Working with an expert consultant, the Energy Conservation Management Board is in the process of evaluating summer peaking causes and drivers so that conservation programs can be most effectively targeted. This evaluation may help the legislature design the most effective incentive programs.

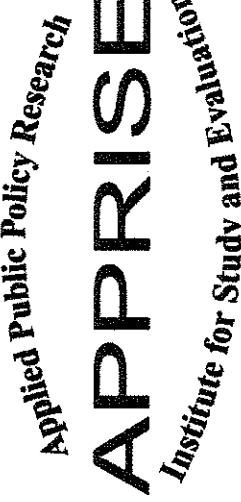
Section 2 of this bill would provide free electricity during the evening to certain customers. It would benefit households where the majority of electricity consumption occurs in the evening in any case, typically working households where no one is home during the day. The cost associated with providing free electricity to such households will be borne by other ratepayers. Households that are unable to shift their usage to the evening, such as those with elderly or disabled persons, persons with chronic conditions or illness, and households with young children which may require, for example, air conditioning during the day in the summer, will be among those bearing the burden of cost for households whose consumption cannot be shifted to the evening.

An alternative to this bill would be to ask the ECMB to report to the legislature regarding its summer peaking analysis and make recommendations for equitable programs to address peak issues.

H.B. 5789 AN ACT CONCERNING MUNICIPAL AGGREGATION. REJECT

Municipal utilities are operated to meet the interests of their communities, rather than being profit driven. The result is that, currently, the utility consumers who pay the most reasonable electricity rates in the state are municipal utility customers. Over the last decade, electric deregulation drove high electric rates in CT to the highest rates in the continental US. There is no basis for risking the ability of municipal utilities to provide electricity at more affordable rates than deregulation has produced.





National Study of Low Income Energy Programs Lessons for Connecticut

January 29, 2008

David Carroll - APPRISE

Roger Colton – Fisher, Sheehan, and Colton

Jackie Berger – APPRISE

Presentation Outline

- Overview of National Study
- Needs Assessment Findings
- Connecticut Programs
- Lessons from Other States
- Program Design Elements
- Recommendations for Utility Programs
- Bulk Fuel Program Options

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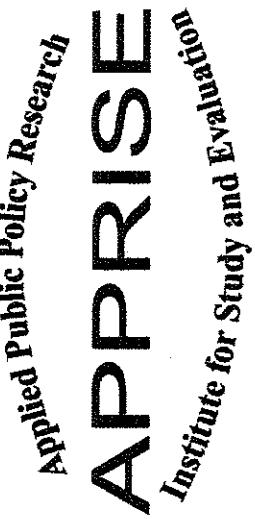
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Overview of National Study

Purposes

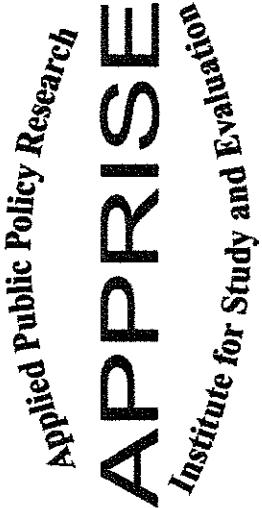
- Inventory – Document the role of ratepayer funded programs in helping to meet the energy needs of low-income households.
- Best Practices – Assess in what ways programs are effective in meeting their targeted goals and in what ways they could be improved.
- Research Framework – Identify information needs and serve as a foundation for research on program innovations.

Study Scope



- Analysis of 14 states – CA, CO, CT, IN, ME, MD, MO, NJ, NV, OH, OR, PA, WA, WI
- Research on 22 Affordability Programs and 20 Energy Efficiency Programs
- Review of Evaluations for 10 Affordability Programs and 12 Energy Efficiency Programs

Sponsors



- Nonprofit Organizations – AARP, Operation Fuel, and MACA
- State Agencies – Colorado, Maryland, Ohio, Oregon, Washington
- Utilities – CGCU, NIPSCO, PECO, PGW, PSE&G, Vectren

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Needs Assessment Findings

Needs Assessment

National Context

- Energy bills for low-income households grew from \$22.6 billion in 2000 to \$31.9 billion in 2005 (40% Increase)

Needs Assessment

National Context – Energy Affordability

– Low-Income > 15% Energy Burden

- 7 million households
- \$6.1 billion in need

– LIHEAP

- 5 million households
- \$1.7 billion in benefits

Needs Assessment

National Context – Energy Efficiency

- Low-Income / High Usage
 - 8 million households
- Federal Assistance – WAP & LIHEAP
 - 100,000 households

Needs Assessment

State and Local Response

- In 2005, state and local policymakers in 45 states and the District of Columbia invested \$2.3 billion in affordability and energy efficiency programs

In 2005, the amount of funding furnished by state and local policymakers matched the amount furnished by the Federal government through LIHEAP and WAP

Needs Assessment

Connecticut – Targeted Households

- Income LE 150% of Poverty = 188,000
 - Electric Bill = 158,000 (84%)
 - Gas Bill = 70,000 (37%)

Needs Assessment

Targeted Households (Electric)

- Electric Bill = 158,000

- Electric Baseload = 124,000
 - More than 5% Burden = 72%
 - More than 10% Burden = 39%
- Electric Heat = 34,000
 - More than 5% Burden = 87%
 - More than 10% Burden = 57%
 - More than 15% Burden = 40%

Needs Assessment

Targeted Households (Gas)

- Gas Bill = 70,000
 - More than 5% Burden = 73%
 - More than 10% Burden = 51%
 - More than 15% Burden = 36%

Needs Assessment

Affordability Standard

What is Affordable?

- Median Household Income for 2005 = \$60,941
- Energy Bill @ 5% = \$3,047 (\$254 per month)
- Energy Bill @ 10% = \$6,094 (\$508 per month)
- Energy Bill @ 15% = \$9,141 (\$761 per month)

Needs Assessment

Energy Gap 2005

- Low-Income Electric and Gas Bill = \$262 million
- Total Need @ 15% Standard = \$104 million
- Total Need @ 5% Standard = \$192 million

2005 Funds = \$38 million

(\$24 million LIHEAP / \$14 million ratepayer)

Needs Assessment

Energy Efficiency Needs

- Electric Baseload – 44,000 high usage
- Electric and Gas Heating – 30,000 high usage



Connecticut's Program

Connecticut - Approach

- Eligibility: Customers in Arrears
- Benefit Determination: Up to 50% of arrears
- Benefit Level: Depends on arrears
- Payment: LIHEAP adjusted budget bill plus arrearage payment
- Arrearage: 50% / Incentive / Contributory
- Administration: Utility

Connecticut - Benefits

- Targeting - Responds to demonstrated need for assistance
- Arrearages - Potential elimination of arrearages
- Payment Incentive - Incentives to improve payment patterns

Connecticut - ISSUES

- Incentive - Must be “payment troubled” to get assistance
- Affordable Payments – The program does not assess whether proposed customers payments are “affordable”
- Success – Estimated to have a 25% success rate
- Targeting (Design) - Program does not target higher benefits to lower income households (all potential benefits are determined by level of arrears)
- Targeting (Outcome) - If higher income households are more likely to be successful, the program gives higher benefits to higher income households (no evaluation data available)

Lessons from Other States

New Jersey - Approach

- Eligibility: All utility customers / automatic enrollment
- Benefit Determination: Integration of LIHEAP / Lifeline / USF benefits
- Benefit Level: 3% electric burden / 3% gas burden
- Payment: LIHEAP/Lump Sum, USF/Fixed Credit
- Arrearage: 100% / Incentive / Noncontributory
- Administration: State Benefit Determination / Utilities Benefit Distribution

New Jersey - Benefits

- Incentive: Eligible without nonpayment
- Targeting: Equal treatment for all
- Affordability: Affordable payment level
- Arrearages: Elimination of preprogram arrearages
- Integration: LIHEAP integration / Electric and gas coordination
- Low administrative costs for all parties

New Jersey - Issues

- Targeting: Does not target “payment troubled”
- Communications: Program awareness is limited
- Payment Consistency: Combination of LIHEAP lump sum and fixed credit results in zero payment requirements for 3-6 months
- Integration of All Programs: Exclusion of Emergency / Supplemental results in burden less than 6% of income

Pennsylvania - Approach

- Eligibility: Enrollment of payment-troubled
- Benefit Determination: Not coordinated with LIHEAP – but assumes LIHEAP
- Benefit Level: 8% electric burden / 8% gas burden
- Payment: Fixed Payment
- Arrearage: Incentive / Contributory
- Administration: Utility

Pennsylvania – Benefits

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- Targeting: Targets those most in need
- Communications: Communicates effectively with customers
- Payment Consistency: Furnishes a consistent payment amount
- Arrearages: Delivers preprogram forgiveness
- Collections Integration: Allows utilities to integrate program into collections protocol
- Usage Reduction Integration: Integration of payment program / usage reduction / counseling

Pennsylvania - Issues

- Targeting: Must demonstrate “payment problems”
- LIHEAP Integration: Failure to integrate with LIHEAP
- Utility Integration: Failure to integrate electric and gas
- Affordability: High payment percentage
- Administrative: High administrative expenses

NIPSCO/OEAP - Approach APPRISE

- Eligibility: Enrollment of payment-troubled
- Benefit Determination: Benefit matrix
- Payment: Lump sum
- Arrearage: Program target
- Administration: NIPSCO/Utility, OEAP/State

NIPSCO/OEAP – Benefits

- Targeting: Targets those most in need
- Communication: Communicates effectively with customers
- Effectiveness: Resolves crisis
- Arrearages: Delivers preprogram forgiveness
- Collections: Direct impact on utility collection expense
- Administrative: Low administrative costs

NIPSCO/OEAP - ISSUES

- Targeting: Must have arrears
- Affordability: Targeted to nonpayment / not burden
- Effectiveness: Most participants repeat “crisis” after one year (OEAP)

Lessons Learned

- Program integration increases “fairness”, furnishes better incentives, and reduces administrative costs
- Automatic enrollment fails to target benefits, detracts from program performance, and increases program costs
- Any benefit distribution procedure that levelizes customer payments will improve customer outcomes

Lessons Learned

- Affordable burden levels by themselves are not enough
- Inclusion of utilities helps make utility staff more knowledgeable about needs of and opportunities for low-income households

Other Programs

- CGCU – Even small discounts can have an impact
- T.W. Phillips – Personal contact yields high payment compliance
- MD ESUP – Payment attribution for combination utilities is an issue

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Program Design Elements

Customer Payments

- Eligibility
 - Who do you want to target?
 - Who do you want to serve?
- Benefit Determination
 - What do you want to include?
 - What level do you want to set?
- Benefit Distribution
 - What is the customer's responsibility?
 - How is that best implemented?

Customer Arrearage

- Eligibility
 - Who do you want to target?
 - What limits do you want to impose?
- Delivery
 - What incentive are you going to give customer?
 - How are you going to communicate the incentive?
- Support
 - How can you help customers get beyond payment problems?

Program Coordination

- Roles
 - What are appropriate roles of each partner?
 - What are capabilities of each partner?
- Functions
 - Do funding sources serve different purposes?
 - Do they have different performance objectives?
- Level
 - Should programs be integrated or coordinated?
 - At what levels should programs be coordinated?

Recommendations

Recommendations

- Funding – Set funding levels that can effectively address the needs
- Integration – Integrate with publicly funded programs to ensure coordination of benefits and to reduce administrative costs
- Design – Select a program design that targets those most in need, while establishing appropriate incentives and supports for consistent payment of bills

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Bulk Fuel Program

Vermont Program



- Funding - ½ Percent Gross Receipts Tax
- Usage – Energy Efficiency Program
- Effectiveness – As prices/need rises, resources rise
- Connecticut Design – Payment Assistance and Usage Reduction are both needed